

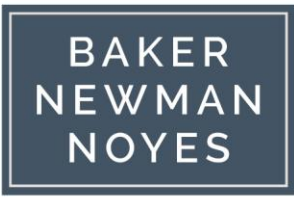
Diocese of Manchester Central Fund Trust

Financial Statements

*Years Ended June 30, 2024 and 2023
With Independent Auditors' Report*

Baker Newman & Noyes LLC
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INDEPENDENT AUDITORS' REPORT

Roman Catholic Bishop of Manchester
a Corporation Sole, Trustee
Diocese of Manchester Central Fund Trust

Opinion

We have audited the financial statements of Diocese of Manchester Central Fund Trust (the Trust), a nonprofit organization, which comprise the statement of financial position as of June 30, 2024, the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as of June 30, 2024, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The financial statements of the Trust, as of and for the year ended June 30, 2023, were audited by other auditors, whose report, dated April 11, 2024, expressed an unmodified opinion on those financial statements.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Roman Catholic Bishop of Manchester
a Corporation Sole, Trustee
Diocese of Manchester Central Fund Trust

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Baker Newman & Noyes LLC

Manchester, New Hampshire
December 18, 2024

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

STATEMENTS OF FINANCIAL POSITION

June 30, 2024 and 2023

ASSETS

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 760,579	\$ 1,939,336
Interest receivable	54,642	17,288
Notes receivable, net	12,006,158	8,095,365
Investments	<u>77,866,453</u>	<u>72,795,115</u>
Total assets	<u>\$90,687,832</u>	<u>\$82,847,104</u>

LIABILITIES AND NET ASSETS

Due to Central Office of the Diocese of Manchester	\$ 4,358,156	\$ 4,704,531
Depositors' fund	31,283,787	29,258,806
Depositors' fund - restricted	18,508,640	18,154,001
Pooled investment fund	21,659,130	19,620,017
Pooled investment fund – perpetual care	<u>5,947,578</u>	<u>5,752,277</u>
Total liabilities	81,757,291	77,489,632
Net assets:		
Without donor restrictions	3,081,877	169,281
With donor restrictions	<u>5,848,664</u>	<u>5,188,191</u>
Total net assets	<u>8,930,541</u>	<u>5,357,472</u>
Total liabilities and net assets	<u>\$90,687,832</u>	<u>\$82,847,104</u>

See accompanying notes.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

STATEMENTS OF ACTIVITIES

Years Ended June 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:						
Donations and bequests	\$ -	\$ 484,466	\$ 484,466	\$ -	\$ 387,425	\$ 387,425
Net assets released from restriction	<u>197,060</u>	<u>(197,060)</u>	<u>-</u>	<u>241,134</u>	<u>(241,134)</u>	<u>-</u>
	197,060	287,406	484,466	241,134	146,291	387,425
Program expenses:						
Grants and donations – Catholic formation	47,486	-	47,486	107,560	-	107,560
Grants and donations – education and scholarships	149,574	-	149,574	130,002	-	130,002
Provision for credit losses on notes receivable	240,000	-	240,000	164,000	-	164,000
Supporting expenses:						
Professional services and bank fees	<u>56,400</u>	<u>-</u>	<u>56,400</u>	<u>2,750</u>	<u>-</u>	<u>2,750</u>
Total expenses	<u>493,460</u>	<u>-</u>	<u>493,460</u>	<u>404,312</u>	<u>-</u>	<u>404,312</u>
Change in net assets before other activities	(296,400)	287,406	(8,994)	(163,178)	146,291	(16,887)
Investment return, net	3,606,421	373,067	3,979,488	2,941,642	298,434	3,240,076
Interest expense	<u>(397,425)</u>	<u>-</u>	<u>(397,425)</u>	<u>(418,936)</u>	<u>-</u>	<u>(418,936)</u>
Change in net assets	2,912,596	660,473	3,573,069	2,359,528	444,725	2,804,253
Net assets, beginning of year	<u>169,281</u>	<u>5,188,191</u>	<u>5,357,472</u>	<u>(2,190,247)</u>	<u>4,743,466</u>	<u>2,553,219</u>
Net assets, end of year	<u>\$ 3,081,877</u>	<u>\$ 5,848,664</u>	<u>\$ 8,930,541</u>	<u>\$ 169,281</u>	<u>\$ 5,188,191</u>	<u>\$ 5,357,472</u>

See accompanying notes.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,573,069	\$ 2,804,253
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Net realized and unrealized gains on investments	(3,122,182)	(2,542,854)
Provision for credit losses on notes receivable	240,000	164,000
Change in operating assets and liabilities:		
Interest receivable	(37,354)	(14,844)
Accounts payable	<u>—</u>	<u>(283,920)</u>
Net cash provided by operating activities	653,533	126,635
Cash flows from investing activities:		
Sales (purchases) of investments, net	285,258	(9,412,690)
Due to Central Office of the Diocese of Manchester	(346,375)	4,598,325
Amounts advanced on notes receivable	(5,903,350)	(967,927)
Collection on notes receivable	<u>1,752,557</u>	<u>1,190,967</u>
Net cash used by investing activities	(4,211,910)	(4,591,325)
Cash flows from financing activities:		
Change in Depositors' Fund, net	<u>2,379,620</u>	<u>4,225,585</u>
Net cash provided by financing activities	<u>2,379,620</u>	<u>4,225,585</u>
Change in cash and cash equivalents	(1,178,757)	(239,105)
Cash and cash equivalents at beginning of year	<u>1,939,336</u>	<u>2,178,441</u>
Cash and cash equivalents at end of year	<u>\$ 760,579</u>	<u>\$ 1,939,336</u>
Supplemental disclosure of cash flow information:		
Interest paid on deposits	<u>\$ 397,425</u>	<u>\$ 418,936</u>
For the year ended June 30, 2023, net noncash investment activity related to the due to Central Office of the Diocese of Manchester totaled \$895,388.		
For the years ended June 30, 2024 and 2023, net noncash investment activity related to the pooled investment fund totaled \$2,234,414 and \$3,620,183.		
For the year ended June 30, 2023, there were noncash notes receivable restructurings of approximately \$920,000. There were no such restructurings for the year ended June 30, 2024.		

See accompanying notes.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

1. Description of the Trust and Summary of Accounting Policies

The accompanying financial statements reflect the application of the accounting policies described in this note.

Description of the Trust

The accompanying financial statements include the assets, liabilities, net assets and financial activities of the Diocese of Manchester Central Fund Trust (the Trust). The Trust holds deposits and investments as well as makes loans to various parishes, schools and cemeteries within the territory of the Diocese of Manchester (the Diocese), which encompasses the State of New Hampshire. Revenues are derived primarily from donations and investment income.

The Trust was established on August 19, 2020 by the Roman Catholic Bishop of Manchester (RCBM), a corporation sole, to establish a Pooled Investment Fund and a Depositors' Fund for participants. The Pooled Investment Fund holds deposits of participants. The Depositors' Fund includes all assets not held in the Pooled Investment Fund, and includes assets which were previously held in the "Central Fund" as described below. The powers of control and management of the Trust rest exclusively with RCBM, a corporation sole, acting in its capacity as Trustee of the Trust. RCBM is not permitted to be a participant in the Trust with respect to any funds held for its own benefit, or with respect to any funds in the Trust not being held for the benefit of others.

Participants are defined in the Trust indenture as parishes of the Diocese and their affiliated organizations, organizations of the Diocese, including, but not limited to, schools that are entities of the Diocese and their affiliated organizations, any trust of which the office of the Bishop of Manchester (the Bishop) and/or the RCBM is serving as the Trustee, donor- restricted funds which are administered by the Bishop and/or the RCBM, and any other organizations which are Catholic entities within the jurisdiction of the Diocese, which are approved by the Trustee for participation in the Trust.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

For the purpose of the statements of cash flows, the Trust considers certificates of deposit and other highly liquid debt instruments with a maturity of three months or less from the date of purchase to be cash equivalents, including certain cash equivalents managed by its investment advisors. At certain times during the year, cash balances may exceed federal depository insurance limits. The Trust has not experienced any losses in such accounts and believes it is not exposed to any significant risk related to cash balances held at June 30, 2024 and 2023.

In addition to the above amounts on deposit, the Trust reports certain other cash equivalents managed by its investment advisors as investments and not as cash equivalents in the accompanying statements of financial position since it is the Trust's intention to invest these funds for long-term purposes.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

1. Description of the Trust and Summary of Accounting Policies (Continued)

Notes Receivable

Notes receivable from participants are unsecured and are reported at their unpaid balances, less an allowance for credit losses. However, if property of a participant were to be liquidated, proceeds from the sale of the assets would be required to be applied to any outstanding balance on notes receivable due to the Trust. The total balance of notes receivable outstanding at June 30, 2024 and 2023 consists of notes receivable from 22 participants.

Interest on notes receivable is recognized over the term of the loan and is calculated using either the simple interest method or the amortization method on principal amounts outstanding. Interest rates are reviewed by the Trust every six months with any changes effective January 1 and July 1 each fiscal year. Interest was charged at the rate of 4.20% and 3.95% for the years ended June 30, 2024 and 2023, respectively. Interest income was \$473,142 and \$403,015 for the years ended June 30, 2024 and 2023, respectively, and is included within investment return, net, in the accompanying statements of activities. Certain notes are noninterest bearing or are at a reduced rate of interest. These notes generally have been recorded net of applicable discounts to reflect the present value of the notes, based on the interest rates normally charged on other notes. There were no discounts recorded for the years ended June 30, 2024 and 2023.

The Trust has been willing, under appropriate circumstances, to make concessions for borrowers whose payments were not current or to refinance outstanding obligations. At the time of restructuring, the loan is evaluated for an allowance for credit losses. The Trust continues to specifically reevaluate the loan in subsequent periods, regardless of the borrower's performance under the modified terms. There were no troubled debt restructurings for the years ended June 30, 2024 and 2023.

Notes receivable are evaluated for impairment annually and are placed on nonaccrual status on a case-by-case basis. Interest income on nonaccrual loans is recognized only to the extent that cash payments are received. Loans are classified as impaired when they are greater than 60 days past due, on nonaccrual status, or additional borrowing is needed due to operational deficits. Generally, loans are restored to performing status when the obligation is brought current, has performed in accordance with contractual terms for a reasonable period of time as determined by the Trust, and the ultimate collectibility of the total contractual principal and interest is no longer in doubt.

The current expected credit loss (CECL) approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures). It replaces the incurred loss approach's threshold that delayed the recognition of a credit loss until it was probable a loss event was incurred. The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Trust then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. At June 30, 2024, the Trust believes that it has the intent and ability to hold its notes receivable for the foreseeable future or until maturity or pay-off. The Trust establishes a specific reserve for individually evaluated loans that do not share similar risk characteristics with the loans evaluated using a collective or pooled basis. The Trust reviews each outstanding note receivable and has provided an allowance for credit losses at a level that the Trust believes to be representative of inherent losses estimated on the basis of factors, such as the risk characteristics of the borrower, average historical bad debt write-offs, and current as well as reasonably estimable future economic conditions that may affect the borrower's ability to pay. Delinquency status is determined based on contractual terms. It is the Trust's policy to charge off uncollectible notes receivable when management determines the receivable will not be collected.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

1. Description of the Trust and Summary of Accounting Policies (Continued)

Investments

Investments represent marketable securities and alternative investments. Investments in marketable securities are valued at their fair values in the statements of financial position. The measurement of fair value is made using the fair value hierarchy established under current accounting standards as further discussed in Note 8. Net asset value (NAV) is used as a practical expedient to estimate fair value of the alternative investments.

Net investment return is reported in the statements of activities and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses and management fees. For purposes of determining realized gains and losses, the cost of securities sold is based on average cost.

Restricted Support

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported, as follows:

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – net assets subject to donor- or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted, has been fulfilled, or both. Restricted contributions that are received and utilized in accordance with donor stipulations in the same year are reported as contributions without donor restrictions. The Trust follows a similar policy for investment return on these funds.

Net assets with donor restrictions are restricted for the following purposes at June 30:

	<u>2024</u>	<u>2023</u>
Education	\$1,392,172	\$ 998,916
Other various purposes	<u>208,550</u>	<u>193,715</u>
	<u>\$1,600,722</u>	<u>\$1,192,631</u>

Net assets released from restrictions in 2024 and 2023 were used primarily for education and Catholic formation support.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

1. Description of the Trust and Summary of Accounting Policies (Continued)

Endowments restricted in perpetuity (including amounts above the original gift amount of \$2,907,472 and \$2,829,410 as of June 30, 2024 and 2023, respectively) are as follows at June 30:

	<u>2024</u>	<u>2023</u>
Seminarians	\$ 144,909	\$ 136,701
Care of gravesites	52,355	48,953
Scholarships, education and tuition	2,783,676	2,580,441
Care of needy	17,644	17,217
General purposes for specific parishes	1,149,573	1,117,398
Other various purposes	<u>99,785</u>	<u>94,850</u>
	<u>\$4,247,942</u>	<u>\$3,995,560</u>
Total net assets with donor restrictions	<u>\$5,848,664</u>	<u>\$5,188,191</u>

Federal and State Income Taxes

The Trust is an irrevocable charitable trust exempt from federal and state income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code.

The Trust recognizes the tax benefit of an uncertain tax position only if management determines that it is more likely than not that the tax position would be sustained upon examination by taxing authorities based on the technical merit of the position. Management has determined for the year ended June 30, 2024, the Trust did not take any material tax positions which do not meet the criteria for recognition.

Revenue Recognition

Donations received, including unconditional promises to give, are recognized as revenue in the period received at fair value. Conditional donations, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Any funding received prior to overcoming the barrier is recorded as a refundable advance on the statements of financial position. The Trust reports gifts of cash and other assets as contribution revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Support, as well as any related investment income, that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

1. Description of the Trust and Summary of Accounting Policies (Continued)

The Trust reports gifts of land, buildings and equipment as contribution revenue without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-term assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as contribution revenue with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Trust reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Recent Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The amendments in this ASU affect financial assets measured at amortized cost, which for the Trust primarily consist of notes receivable. The update replaces the incurred loss methodology under U.S. generally accepted accounting principles with a CECL model which requires measurement of all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions and reasonable and supportable forecasts. Under the CECL methodology, the Trust makes ongoing estimates relating to the collectibility of notes receivable and records an allowance for estimated credit losses by evaluating historical levels of credit losses and current economic conditions that may impact future collections. The ASU became effective for the Trust on July 1, 2023. The Trust adopted Topic 326 using the modified retrospective method for all financial assets measured at amortized cost, and there was no significant impact upon adoption.

Subsequent Events

Events occurring after the statement of financial position date are evaluated by management to determine whether such events should be recognized or disclosed in the financial statements. Management has evaluated subsequent events through December 18, 2024 which is the date the financial statements were available to be issued.

2. Investments

The Trust's policy is to invest in a manner consistent with teachings of the Roman Catholic Church, as expressed in guidelines published by the United States Conference of Catholic Bishops, in order to preserve capital and realize a sufficient return with minimal risk. In general, the Trust's current policy is to maintain the following allocations:

Equity securities - domestic	10% - 40%
Equity securities – international and emerging markets	10% - 30%
Fixed income securities	30% - 40%
Alternative investments	5% - 25%
Private equities	0% - 10%
Cash and cash equivalents	.5% - 5%

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

2. Investments (Continued)

Net investment return in the statements of activities is comprised of the following for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Dividends, interest and other income	\$1,678,359	\$1,300,729
Investment expenses	(221,059)	(174,907)
Management fees	(599,994)	(428,600)
Net realized and unrealized gains	<u>3,122,182</u>	<u>2,542,854</u>
	<u>\$3,979,488</u>	<u>\$3,240,076</u>

See Note 8 for fair value measurements and the fair value of investments classified by major type.

Investment income earned on certain net assets with donor restrictions is restricted as to use. All other investment income is without donor restrictions as to use. The Trust follows the guidance established by the FASB when accounting for losses in donor-restricted endowment funds as further discussed in Note 9.

3. Notes Receivable

In assessing performance of notes receivable on an annual basis, the Trust considers notes receivable less than 30 days past due to be current and classified as performing. The Trust also classifies loans which have contractual terms that require no payments in a given year as current and performing. Performing notes receivable as of June 30, 2024 and 2023 were \$13,117,992 and \$9,979,349, respectively. Nonperforming notes receivable as of June 30, 2024 and 2023 were \$1,803,166 and \$791,016, respectively.

The following reflects the age analysis of notes receivable as of June 30:

	<u>2024</u>	<u>2023</u>
Current	\$13,117,992	\$ 9,979,349
30 – 59 days	1,170,079	230,361
60 – 89 days	–	–
90+ days	<u>633,087</u>	<u>560,655</u>
Total notes receivable	<u>\$14,921,158</u>	<u>\$10,770,365</u>
Total notes receivable on nonaccrual status	<u>\$ 1,259,199</u>	<u>\$ 1,259,199</u>
Notes receivable 90+ days past due and still accruing	<u>\$ –</u>	<u>\$ –</u>

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

3. Notes Receivable (Continued)

The following provides informative data separately presented based on whether or not management has recognized an allowance for credit losses with respect to the impaired loans as of and for the years ended June 30:

	<u>2024</u>	<u>2023</u>
Impaired loans for which no allowance for credit losses is recognized	\$ —	\$ —
Impaired loans for which an allowance for credit losses is recognized:		
Recorded investment	\$13,585,309	\$8,578,600
Unpaid principal balance	13,585,309	8,578,600
Average recorded investment	11,081,955	8,206,822
Interest income recognized while impaired	408,493	270,934

The following reflects the allowance for credit losses as of June 30:

	<u>2024</u>	<u>2023</u>
Beginning balance	\$2,675,000	\$2,511,000
Provision	<u>240,000</u>	<u>164,000</u>
Ending balance	<u>\$2,915,000</u>	<u>\$2,675,000</u>
Composition of ending balance:		
Individually evaluated for impairment	\$2,872,525	\$2,603,010
Aggregate remaining balance evaluated for impairment	<u>42,475</u>	<u>71,990</u>
	<u>\$2,915,000</u>	<u>\$2,675,000</u>

The following reflects the related recorded investment in notes receivable as of June 30:

	<u>2024</u>	<u>2023</u>
Notes receivable individually evaluated for impairment	\$13,585,309	\$ 8,578,600
Notes receivable aggregate remaining balance evaluated for impairment	<u>1,335,849</u>	<u>2,191,765</u>
Notes receivable before allowance for credit losses	14,921,158	10,770,365
Less allowance for credit losses	<u>(2,915,000)</u>	<u>(2,675,000)</u>
Notes receivable, net of allowance for credit losses	<u>\$12,006,158</u>	<u>\$ 8,095,365</u>

There were no changes to the accounting policy for notes receivable for the years ended June 30, 2024 and 2023 other than the adoption of CECL as previously discussed. There were no purchases, sales or reclassifications of notes receivable for the years ended June 30, 2024 and 2023.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

4. Related Party Transactions

At June 30, 2024 and 2023, the Trust owed the Central Office \$4,358,156 and \$4,704,531, respectively, relating to the allocation of investment activity between the Central Office and the Trust.

Management fees paid to the Central Office totaled \$599,994 for the year ended June 30, 2024, which excludes \$205,767 in management fees paid by participants in the pooled investment funds. Management fees paid to the Central Office totaled \$428,600 for the year ended June 30, 2023, which excludes \$187,815 in management fees paid by participants in the pooled investment funds.

Investments are held for participants as described in Note 5. The Trust makes loans to participants as described in Note 3.

5. Depositors' Fund and Pooled Investment Fund

The Trust maintains a Depositors' Fund, which holds deposits for participants. Interest is paid on deposits at a rate of 0.25% and 0.50% at June 30, 2024 and 2023, respectively, and on 12-month or 24-month restricted withdrawal accounts at a rate of 2.00% and 1.75% at June 30, 2024, respectively, and 1.25% and 1.50 at June 30, 2023, respectively. For cemeteries with deposits in the Perpetual Care fund, interest is paid at 2.70% at June 30, 2024 and 2023. Amounts held are payable on demand, however, participants may incur a penalty for early withdrawal. Certain deposits in the Depositors' fund, including deposits in the Perpetual Care Fund, are restricted by the participants and may not be used by the Trust to issue notes receivable as described in Note 3. Depositors' Funds that were restricted totaled \$18,508,640 and \$18,154,001 as of June 30, 2024 and 2023, respectively. Interest expense on amounts in the Depositors' Fund totaled \$397,425 and \$418,936 for the years ended June 30, 2024 and 2023, respectively.

In addition, the Trust maintains a Pooled Investment Fund on behalf of participants, as well as cemeteries participating in the Perpetual Care Fund. The investment return on these funds is excluded from the financial statements and the investment risk for the funds are with the participants.

The Trust Depositors' Fund and Pooled Investment Fund consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Parishes	\$52,418,085	\$47,843,557
Schools	8,704,796	8,903,912
Cemeteries	15,042,011	14,738,886
Other participants	<u>1,234,243</u>	<u>1,298,746</u>
Total Depositors' Fund and Pooled Investment Fund	<u>\$77,399,135</u>	<u>\$72,785,101</u>

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

6. Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$760,579	\$1,939,336
Interest receivable	<u>54,642</u>	<u>17,288</u>
	<u>\$815,221</u>	<u>\$1,956,624</u>

As described in Note 3, the Trust also holds certain notes receivable at June 30, 2024 and 2023 for which principal and/or interest payments may be received and therefore become available for general expenditure. However, given the variability of such amounts, they have been excluded from the table above.

Further, as described in Note 5, the Trust holds deposits and investments for participants. Deposits and investments held for participants are not available for general expenditure.

The investments also consist of donor-restricted endowments. Donor-restricted endowment funds are not available for general expenditure.

As part of the liquidity management plan, the Trust produces an annual budget that is submitted to the Diocesan Finance Council, which outlines the anticipated financial needs to support the Trust within the next fiscal year. To manage current cash flow needs, the budget is analyzed and compared to actual results throughout the year.

7. Risk and Uncertainties

The Trust invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the investment balances.

8. Fair Value Measurements

Fair value is the price that would be received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability. The fair value should be calculated based on assumptions that market participants would use in pricing the asset or liability, not on assumptions specific to the entity. In addition, the fair value of liabilities should include consideration of nonperformance risk including the Trust's own credit risk.

The fair value hierarchy for valuation inputs prioritizes the inputs into three levels based on the extent to which inputs used in measuring fair value are observable in the market. Each fair value measurement is reported in one of the three levels which is determined by the lowest level input that is significant to the fair value measurement in its entirety. These levels are:

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NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

8. Fair Value Measurements (Continued)

Level 1 – inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

Level 2 – inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar assets in inactive markets, observable inputs other than quoted market prices or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – inputs that are unobservable and significant to the fair value measurement and have the lowest priority. The Trust uses appropriate valuation techniques based on available inputs to measure the fair value of its investments.

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs to minimize the use of unobservable inputs.

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of the Trust's assets as of June 30, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 1,231,387	\$ –	\$ –	\$ 1,231,387
Equity securities	35,620,838	–	–	35,620,838
Fixed income securities:				
Corporate bonds	–	16,808,580	–	16,808,580
Government securities	–	13,652,625	–	13,652,625
Certificates of deposit	–	631,503	–	631,503
Preferred stock	31,768	–	–	31,768
Exchange-traded and closed-end funds	142,366	–	–	142,366
Real estate investment trusts	3,110,602	–	–	3,110,602
Open-end mutual funds	<u>707,358</u>	<u>–</u>	<u>–</u>	<u>707,358</u>
Total assets in the fair value hierarchy	<u>\$40,844,319</u>	<u>\$31,092,708</u>	<u>\$ –</u>	71,937,027
Alternative investments				<u>5,365,022*</u>
Investments at fair value				77,302,049
Cash and cash equivalents				<u>1,324,983</u>
Total funds managed by investment advisors				78,627,032
Less investments reported as cash and cash equivalents in the statement of financial position				<u>(760,579)</u>
Total investments per statement of financial position				<u>\$77,866,453</u>

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

8. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the valuation techniques used to determine the fair value of the Trust's assets as of June 30 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market mutual funds	\$ 1,821,230	\$ —	\$ —	\$ 1,821,230
Equity securities	31,962,004	—	—	31,962,004
Fixed income securities:				
Corporate bonds	—	14,877,427	—	14,877,427
Government securities	—	12,482,807	—	12,482,807
Certificates of deposit	—	3,135,882	—	3,135,882
Preferred stock	140,150	—	—	140,150
Exchange-traded and closed-end funds	144,521	—	—	144,521
Real estate investment trusts	2,660,117	—	—	2,660,117
Open-end mutual funds	<u>666,658</u>	<u>—</u>	<u>—</u>	<u>666,658</u>
Total assets in the fair value hierarchy	<u>\$37,394,680</u>	<u>\$30,496,116</u>	<u>\$ —</u>	67,890,796
Alternative investments				<u>3,994,134*</u>
Investments at fair value				71,884,930
Cash and cash equivalents				<u>1,325,254</u>
Total funds managed by investment advisors				73,210,184
Less investments reported as cash and cash equivalents in the statement of financial position				<u>(415,069)</u>
Total investments per statement of financial position				<u>\$72,795,115</u>

* In accordance with current accounting standards, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the statements of financial position.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

8. **Fair Value Measurements (Continued)**

Alternative investments measured at NAV represent units owned in private equity, real estate investment trusts and hedge funds with varying investment strategies. Valuation of these investments are at the NAV of the underlying investments held by the individual funds. NAV is used as the practical expedient to estimate fair value. This practical expedient would not be used if it is determined to be probable that the Trust will sell the investment for an amount different from the reported NAV. The funds are valued at least quarterly using prices for identical or similar assets in markets that are not active. Hedge funds are redeemable quarterly with the redemption period varying from ninety days to two years depending on the individual funds. Private equity and real estate investment funds typically require funding commitments over a period of one to two years. Redemptions are generally not permitted on the private equity and real estate investment funds, with distributions being made over a long term period of up to ten years. The Trust had unfunded commitments for alternative investments of approximately \$354,000 and \$661,000 as of June 30, 2024 and 2023, respectively.

There were no changes in the valuation techniques during the current period. The inputs or valuation methodology used for valuing securities are not necessarily indicative of the risk associated with investing in those securities.

9. **Donor-Restricted Endowment Funds**

The Trust follows the accounting guidance established by the FASB for the net asset classification of donor-restricted endowment funds for a nonprofit organization that is subject to an enacted version of the *Uniform Prudent Management of Institutional Funds Act of 2006* (UPMIFA). The guidance also requires certain disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) if the organization is subject to UPMIFA. The State of New Hampshire enacted UPMIFA effective July 1, 2008, the provisions of which apply to endowment funds existing on or established after that date. The Trust has determined that donor-restricted net assets meet the definition of endowment funds under UPMIFA.

The Trust's endowments consist of funds established for the benefit of participants of the Trust. As required by accounting principles generally accepted in the United States, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

9. Donor-Restricted Endowment Funds (Continued)

The Trust has interpreted the *State Prudent Management of Institutional Funds Act* (SPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the gift of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Trust retains in perpetuity net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not retained in perpetuity is subject to appropriation for expenditure by the Trust in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Trust considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Trust, and (7) the Trust's investment policies.

Endowment net asset composition as of June 30, 2024 and 2023 and changes in endowment net assets are as follows for the years ended June 30:

	<u>With Donor Restrictions</u>	
	<u>2024</u>	<u>2023</u>
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	\$2,907,472	\$2,829,410
Accumulated investment gains	<u>1,340,470</u>	<u>1,166,150</u>
Endowment net assets, end of year	<u>\$4,247,942</u>	<u>\$3,995,560</u>
Endowment net assets, beginning of year	\$3,995,560	\$3,704,391
Contributions	149,477	237,500
Interest and dividends	33,314	19,440
Net appreciation in value of investments	240,103	211,491
Amounts appropriated for expenditure	<u>(170,512)</u>	<u>(177,262)</u>
Endowment net assets, end of year	<u>\$4,247,942</u>	<u>\$3,995,560</u>

Funds With Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Trust to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in net assets with donor restrictions. No significant deficiencies were reported in net assets with donor restrictions as of June 30, 2024 and 2023.

DIOCESE OF MANCHESTER CENTRAL FUND TRUST

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2024 and 2023

9. Donor-Restricted Endowment Funds (Continued)

Investment Return Objectives, Risk Parameters and Strategies - The Trust has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment funds while also maintaining the purchasing power of those endowment assets over the long term. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution not exceeding 5%, while growing the funds if possible. Therefore, the Trust expects its endowment assets, over time, to produce a rate of return sufficient to provide for the annual distribution. Investment risk is measured in terms of the total endowment funds. Investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

Spending Policy - The Trust has a policy of appropriating for distribution each year between 4% - 5% of its endowment fund's average fair value of the previous three years. In addition, in the event that an amount in excess of the approved spending rate is required for any single year, the Trust will appropriate a distribution of up to 7%, which is in line with the safe harbor provision, in order to accomplish the purposes for which a particular donor-restricted fund has been established. The proposed appropriation shall be reviewed by the Investment and Loan Committee, a subcommittee for the Diocesan Finance Council, which will then make a recommendation to the Bishop as to its concurrence or non-concurrence with the proposed appropriation. For the fiscal years ended June 30, 2024 and 2023, a 4% distribution was approved by the RCBM, a corporation sole in its capacity as Trustee of the Trust, and Canonically by the Bishop. In establishing this policy, the Trust considers the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, some of which must be maintained in perpetuity because of donor restrictions, the possible effects of inflation, the provisions of SPMIFA, and whether there are any fund deficiencies.